Canada Mortgage and Housing Corporation
Société canadienne d'hypothèques et de logement

THE FEDERAL CO-OPERATIVE HOUSING PROGRAM

FEATURING INDEX-LINKED MORTGAGES:

- Affordability for Co-ops
- Security for Lenders

Co-operative housing – an affordable way of living

Co-operative housing is a form of ownership in which the housing is owned by a collective. Most co-operatives in Canada – and the type which are eligible for assistance under the Federal Co-operative Housing Program – are continuing not-for-profit co-operatives. These are incorporated associations which exist primarily to provide housing for their members. Such co-operatives are termed "not-for-profit" because members do not own their housing individually and are not entitled to sell their membership at a profit, and thus do not have the opportunity to make a capital gain. A member may leave a co-operative and be replaced by a new member, but the housing is still owned by the association.

Co-operatives of this type provide their members security of tenure in a number of ways. First, because the housing is owned by an association of which most residents are members, they are not at risk of losing their housing because of decisions by non-residents. Decisions about the co-op are made democratically by the members – they establish the rules of the co-op and elect a board of directors to manage the co-operative's affairs.

Secondly, because of the not-for-profit nature of the housing, there is no allowance for profit in the housing charges which residents pay. And, by collectively managing the project and participating in its operations, members have the opportunity to control operating costs and minimize any increases in their housing charges. Thus, the co-op members have the opportunity to maintain their housing costs at an affordable level.

Between 1979 and 1985, the federal government has given financial support to the creation of more than 35,000 co-operative housing units across Canada.

Together with co-operative housing developed under earlier programs, these projects are home to more than 125,000 Canadians.

A new, revised program

The current Federal Co-operative Housing Program, which is sponsored by the Government of Canada, features an innovative financing technique: the index-linked mortgage. This innovation is designed to further encourage the production of cost-effective co-operative housing.

Highlights of this co-operative program, how groups can get started and the index-linked mortgage technique are described on the following pages.

Highlights of the Program

100 per cent financing with Index-linked Mortgages, insured by CMHC under the National Housing Act (NHA)

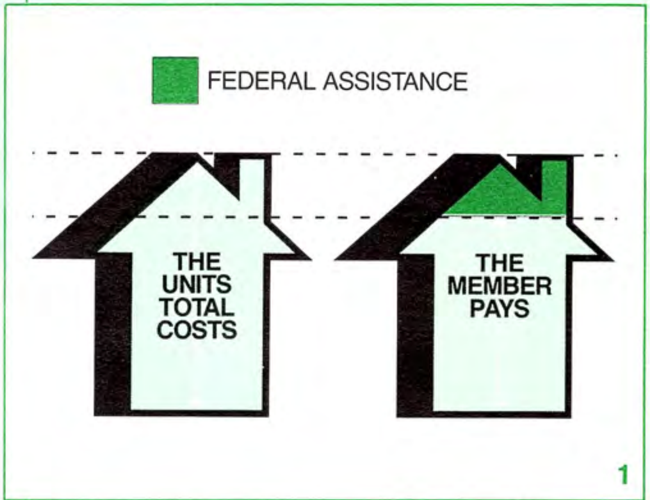
Co-operatives approved under the program may obtain loans for up to 100 per cent of project capital costs, through NHA-insured index-linked mortgages. These are obtained from private lenders and usually have a planned repayment period of 30 years. In some circumstances the repayment period is 35 years.

Index-linked mortgage loans, which provide the financing under this program, feature initial payments which are relatively low. They have a special provision by which payments increase each year by 2 per cent less than the national rate of inflation. The 2 per cent difference provides some room for increases in operating expenses. This makes it easier for the co-op to maintain occupancy charges below rents in comparable rental housing.

A more detailed explanation of index-linked mortgages and their characteristics compared to the traditional equal payment mortgage may be found on page 5.

Operating assistance from CMHC

Where required, co-operatives may receive annual subsidies from CMHC. This assistance is initially provided in the amount necessary to reduce the total operating costs of the project in the first year of operations so that the combined mortgage payments and operating costs do not require the co-operative to set occupancy charges which exceed market rent levels for comparable units in the same area.



Federal assistance is provided equal to the difference between total costs and what the household pays.

In subsequent years, the federal assistance is indexed on the same basis as are the co-op's mortgage payments. However, there is a provision whereby the federal assistance is reduced after year 15, according to a pre-established formula, by an amount equivalent to 5 per cent of the co-op's regular occupancy costs. The federal assistance continues until the index-linked mortgage has been fully repaid, up to a maximum of 35 years.

Rent Supplement assistance

Rent Supplement assistance is provided under a separate program which is cost-shared in most provinces by the federal and provincial governments. This assistance reduces the percentage of income an eligible household has to pay for shelter.

Rent Supplement assistance is available for 30 per cent of the households in co-operative projects in each province. Each co-operative must provide a minimum of 15 per cent of its units to households receiving this assistance. In most provinces, half of the households to receive rent supplements may come from provincial or municipal waiting lists. The rest may be selected from the co-operative's own lists.

To be eligible, a household must be unable to obtain suitable and adequate accommodation without spending more than 30 per cent of the household income on housing. Eligibility is determined in specific cases according to a number of criteria, which include income limits which are related to the number of people in a household.

Eligible project sponsors and projects

In order to receive approval for a project under this program, the sponsoring group must be an incorporated continuing not-for-profit housing co-operative, in which there is no opportunity for members to realize a capital gain.

Such co-operatives may build new housing, purchase and repair existing housing or convert non-residential buildings to residential housing.

How a group gets started

Each year, through advertising and correspondence with interested groups, CMHC invites potential sponsors of co-operative projects to submit proposals to their local CMHC office. CMHC then selects projects from these submissions which best meet the goals of the program and can be developed within CMHC's budget for that year.

Financial help is available to get started

Any group wishing to establish a housing co-operative, may apply to CMHC for funds to meet the costs of developing a project proposal. These costs include incorporation and organization costs, site options and fees paid to architects and consultants. In order to be eligible for this help, the group must intend to provide a portion of its units to low income households or those with disabilities.

The funding is provided through an interest-free loan of up to $75,000. which is repayable from the mortgage financing if the housing project proceeds.

Qualified resource groups are available

In many communities there are resource groups and consultants who are qualified to assist co-operatives in the various stages of development of a housing project, from arranging the first organizing meeting to moving in. These consultants have detailed knowledge of CMHC's requirements and the necessary development process.

In particular, they can provide a new housing co-operative with training in co-operative principles, procedures and in acquiring the skills necessary to successfully manage a project in the years ahead.

Many of these resource consultants are organized as non-profit corporations and are often affiliated with the Co-operative Housing Foundation of Canada.

Although it is not a requirement that these types of resource groups be involved in a project, CMHC does require evidence that the sponsors will have the skills necessary to ensure the successful development and ongoing operation of a co-operative housing project.

The Index-linked Mortgage

To understand the characteristics of the index-linked mortgage, it is worthwhile comparing it with the traditional equal payment mortgage.

Equal payment mortgages – affordable for some, but not for others

Most long-term financing of housing is provided on an equal payment basis. The interest rate and monthly payments remain constant during a term of a given number of months or years, and then is subject to renegotiation.

When lenders invest money in equal payment mortgages, they want to ensure that the payments received will have a predetermined purchasing power after taking into account the effects of inflation. In other words, a lender wants a "real" rate of return.

For example, when a lender makes a loan for a term of 5 years, the interest rate charged is to cover the desired "real" rate of return and probable inflation during the next 5 years.

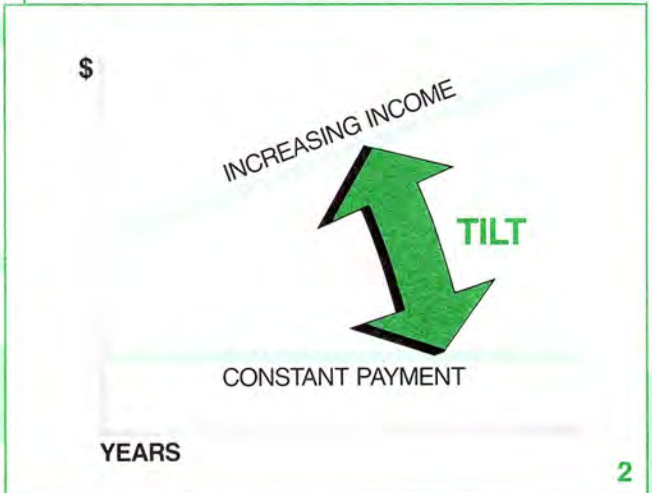
The method of calculation for an equal payment mortgage reflects the rate of inflation expected during the term of the loan. However, the borrower has not yet realized the growth of income which usually occurs in that time.

This limits the accessibility to homeownership, because many people cannot afford the initial payments, even though they could probably afford the average cost over the term of the mortgage.

On the other hand, those who can afford the initial payments of an equal payment mortgage, will usually find the payments become more affordable over time. As their incomes go up, the equal payments take up a smaller and smaller percentage of their incomes.

For example, if the annual rate of inflation were 5 per cent, and a homeowner's income went up at the same rate, an equal payment mortgage that cost 30 per cent of the household income in the first year, would only cost 18 per cent 10 years later.

This is certainly an advantage to the borrower and the lender. There is an improvement in affordability for the borrower. For the lender, there is less risk of a borrower's default and of a loss of potential revenue.



2

The phenomenon of payments which decrease as a percentage of income over time is known as "TILT". In a graph of income and payments, one line slopes or tilts away from the other.

Resetting interest rates at the end of each term does not necessarily solve the problem

Mortgages are usually planned to be repaid over a lengthy period – 20 years or more. This is known as the amortization period.

With equal payment mortgages, the term is usually only a portion of the amortization period. This enables lenders to periodically reset their interest rates in light of changing expectations of inflation.

If inflation goes up, then at the end of each term so do the rates. If the borrower's income does not keep pace with the inflation rate, payments can become less affordable.

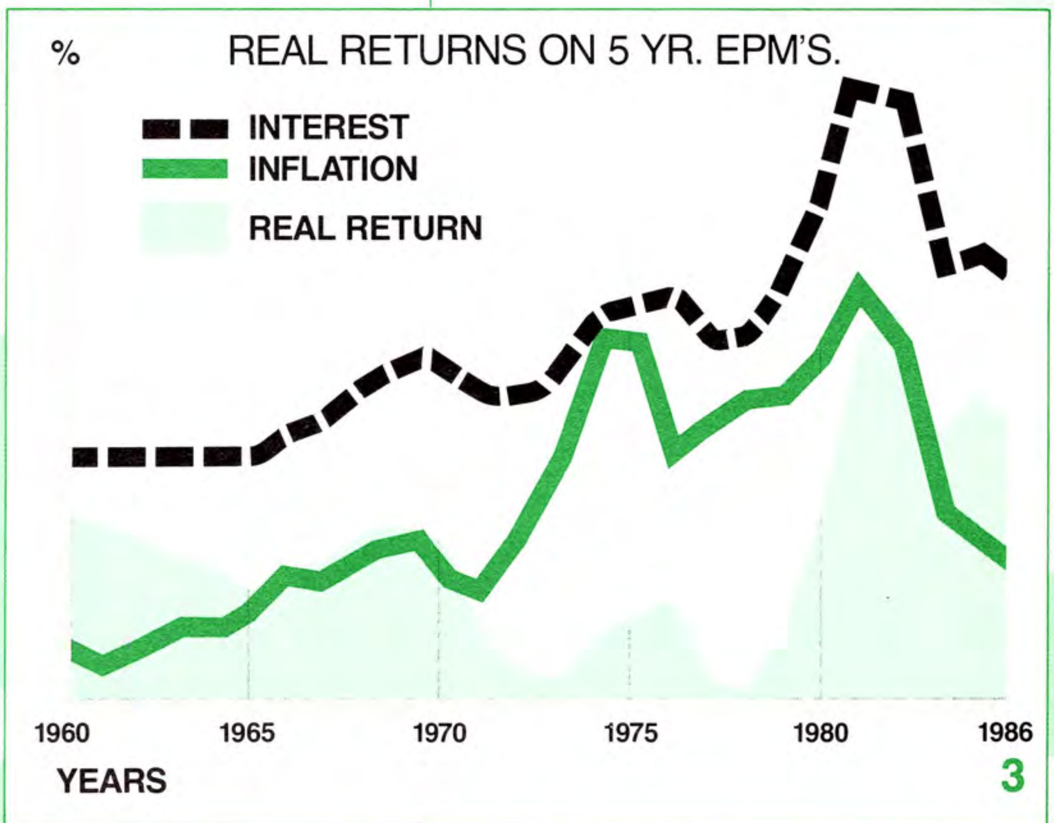
Historically rates of return have been distorted by inflation

In 1960, the typical 5-year mortgage rate was 7 per cent. Inflation was 1.2 per cent. Therefore a lender might have expected a "real" return of 5.8 per cent (the quoted interest rate minus the rate of inflation).

In reality, during that 5-year period, inflation averaged 1.38 per cent. The lender's "real" rate of return was therefore 5.62 per cent.

The history of 5-year mortgage money since 1960 reveals interesting patterns. Between 1960 and 1970 the average rate of return after inflation was 4.6 per cent.

Between 1971 and 1980, the average real rate of return fell dramatically to 2 per cent as inflation crept upwards and eroded yield.



Real rates of return on equal payment mortgages with 5 year terms. (The table of interest rates, inflation rates and real returns on which this table is based is shown in Appendix III.)

There was the inevitable reaction. In the 1980s, lenders began setting very high interest rates in the expectation of continuing high inflation rates. This caused serious problems for a significant number of borrowers because they could not afford higher payments upon renewal of their mortgages.

As the inflation rate began to decline in the 1980s, the real rates of return on mortgages fixed at the higher interest rates went to 9.5 per cent – higher than lenders expected.

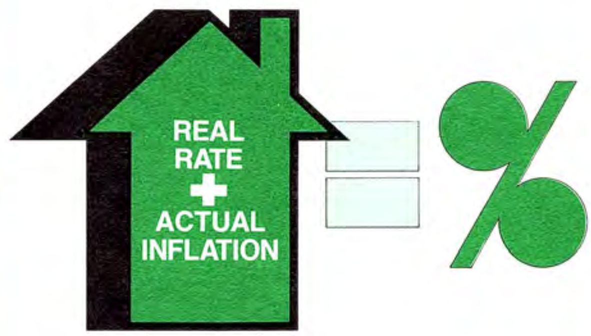
Having accepted higher rates in the early 1980s, borrowers found their incomes were not rising as quickly as before and the affordability of the payments did not improve as much as expected.

Now both interest rates and inflation rates are returning to more historic levels from, their higher levels of the early 1980s. However, equal payment mortgages continue to have some advantages – but some real disadvantages, as well.

It is a risky business for both lender and borrower – in trying to anticipate the rate of inflation they're at the mercy of its rise and fall.

Index-linked financing eliminates guesswork about inflation

Interest rates on index-linked mortgages are based on a fixed "real" rate of return – the rate of return the lender wants after inflation – plus a variable rate which is adjusted according to inflation. Therefore no provision has to be built into the stated rate of interest to take account of anticipated inflation as there is when the rate of interest on a fixed rate equal payment mortgage is established.



Interest rates on index-linked mortgages include two components

This makes the initial payments of an index-linked mortgage much lower than with traditional equal payment mortgages. Initial payments on index-linked mortgages are therefore much more affordable to potential borrowers.

To maintain the "real" rate of return that the lender wants, the interest rate is adjusted periodically according to the inflation that has actually occurred in the preceding year. Payments are adjusted annually in a similar way, according to the rate of inflation in the previous year.

The variable interest rate component and the payments on a CMHC index-linked mortgage are adjusted on the basis of the Consumer Price Index. This is the national all-item CPI which is produced each month by Statistics Canada. This respected national index is used because lenders may represent investors from all across the country who wish to have the purchasing power of their return protected.

The adjustments to the payments eliminate the "tilt" effect that is apparent with equal payment mortgages because the payments are lined up with the borrower's ability to pay, as long as the borrower's income keeps pace with inflation.

With equal payment mortgages, lenders need to reset their rates periodically, so they provide limited terms and change the rates at the end of each term according to inflation expectations at that time. Because of the build-in adjustment mechanism of index-linked financing, lenders do not have to keep resetting their rates. Therefore, for index-linked mortgages, the term is equal to the entire amortization period. As a result, borrowers are seldom faced with a change in payments which are out of line with their abilities to pay.

With the CMHC index-linked mortgage, the payments in the early years do not usually cover the full amount of interest. The unpaid interest is added to the balance owing on the mortgage which generally grows for the first third of the repayment period. Then, the payments which have been indexed each year, become greater than the accruing interest and the balance owing starts to decline.

Some modifications have been made to ensure continuing affordability

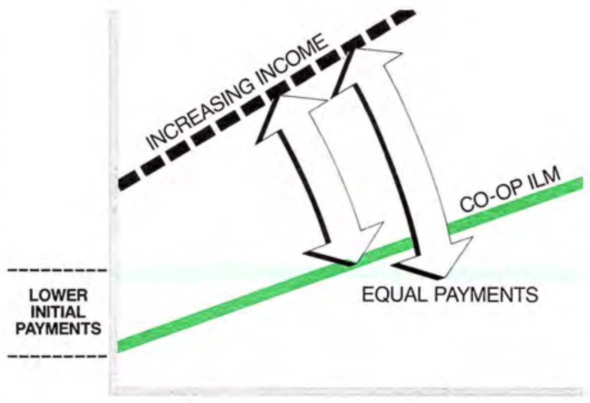
Some modifications have been made to the index-linked financing technique to make it more suitable for the Federal Co-operative Housing Program.

The key modification is that a "planned tilt" of 2 per cent has been built in. As a result, the annual change in payments will be 2 per cent less than the rate of inflation.

If the Consumer Price Index rises by 5 per cent, mortgage payments will go up by only 3 per cent.

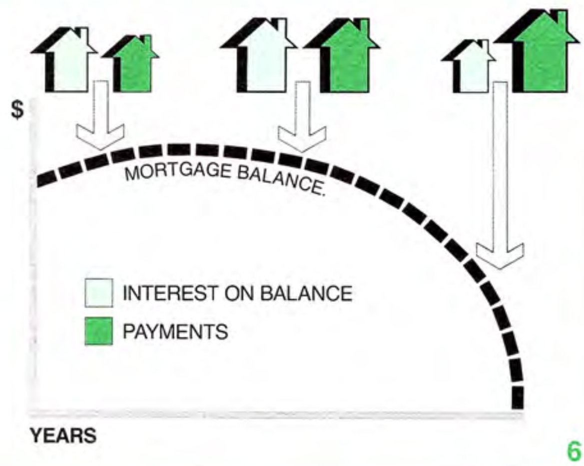
This "planned tilt" provides a buffer– a protection against the possibility of any other project operating costs going up more than the rate of inflation, or the possibility of incomes not keeping pace with inflation.

However, the "planned tilt" in most cases, will result in some improvement in affordability over time. Were the ILM available for homeownership loans now a borrower who started paying 30 per cent of income on an index-linked mortgage with a 2 per cent "planned tilt" would be paying only 22 per cent 10 years later, assuming his income had risen with inflation.



5

Comparing payments over time: the EPM has considerable tilt, the fully indexed mortgage has none. The ILM for the co-op program has a predetermined tilt of 2 per cent per year.



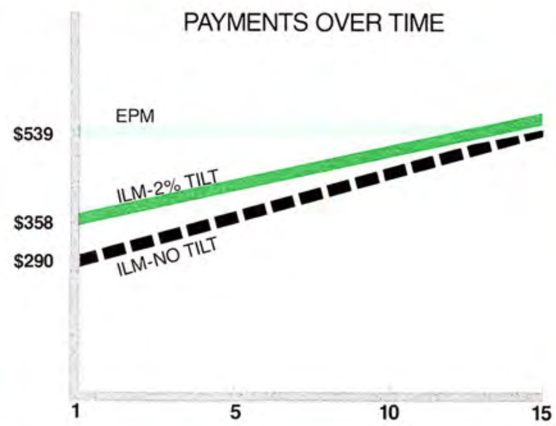
6

The balance on an ILM grows during early years until payments increase to a higher level than accruing interest.

How the "planned tilt" is arranged

In order to allow for the "planned tilt", the initial payments have to be set somewhat higher than they would be if the mortgage was fully indexed.

Illustration 5 shows that the index-linked mortgage, with a 2 per cent "planned tilt", has initial payments which are significantly lower than the equal payment approach. However, the payments do not increase as quickly as they would if the mortgage was fully indexed.



7

This is an enlarged version of the first 14 years from Appendix II.

A lender's potential amount of loss is also reduced

With a 2 per cent "planned tilt", the higher level of initial payment represents an acceleration of the loan repayment. The mortgage balance does not grow as fast in the early years. Therefore, should a default occur, the loss is lower.

Naturally, one would expect some increased growth in equity, especially once the payments have increased to more than the accruing interest, both as the value of the property increases and as the mortgage balance starts to decline.

Interest and payments are adjusted annually

Once a year the payments and the variable component of the interest rate are adjusted on the basis of the annual rate of inflation ending 6 months previous. The 6 month lag is to provide for the publication of the index and for advance budgeting. Mortgage balances are recorded monthly. Examples of how these adjustments are made are set out in Apendix I. Apendix II provides a comparison between the mortgage balances and payments on an EPM, a fully indexed mortgage (an ILM with no tilt) and an ILM with 2 per cent planned tilt.

A Stabilization Fund provides further protection against regional variation in inflation

Because the national Consumer Price Index is used as the basis for adjustments under the index-linked mortgage, there may be differing impacts in various areas of the country since inflation is not experienced at the same level everywhere in Canada.

Some projects could therefore have increases in their mortgage payments which are greater than the increase in rents in neighbouring projects. In order to ensure that this does not cause problems for specific projects, a special Fund has been established.

This Stabilization Fund exists to help projects having short term financial difficulties and to help ensure they do not have to raise their housing charges above the level of market rents.

Each project developed under the Federal Co-operative Housing Program contributes to the Fund as part of its original financing.

A Project's continuing financial stability is supported in many ways...

CMHC wants to assure both members of co-operatives and lenders that projects developed under the Federal Co-operative Housing Program are protected as much as possible against default. A number of measures ensure this:

□ There is the "tilt" in the index-linked mortgage which keeps payment increases below inflation increases.

□ The federal assistance, which is provided throughout the repayment of the index-linked mortgage is provided in the amount required to achieve initial economic feasibility and is indexed thereafter, essentially on the same basis as the mortgage payments.

□ Projects are required to establish a special Security of Tenure fund. This is used to help households whose incomes fall after moving in, causing affordability problems.

□ Each project must make regular contributions to a reserve fund on its own. This growing fund can be used for the replacement of major worn-out capital items such as a roof and can help a co-op avoid sudden large expenses.

□ The Stabilization Fund provides protection against short-term cash flow shortfalls. Stabilization Fund assistance would be made available by way of repayable loans, but the payments could be deferred where housing charges would otherwise exceed market rent levels.

□ The primary financing has a term of 35 years. However, in determining the original financing, the initial payments on the index-linked mortgage are based on a planned repayment period of 30 years. Should a project run into difficulty, this could, with the permission of CMHC, be extended to the full 35 years, to reduce the amount of the co-operative's remaining monthly payments.

□ In cases where a project exhausts all possible remedies to a financial problem, and is still experiencing difficulties, CMHC may make additional Rent Supplement assistance available out of its current budget. This would mean, that under the Rent Supplement Program, vacancies could be filled by households which qualify for this assistance which provides financial help with monthly housing costs.

□ NHA mortgage insurance is the ultimate protection for the lender against default.

APPENDIX I

MORTGAGE BALANCE AND PAYMENT CALCULATIONS: INDEX-LINKED MORTGAGES WITH 2% PLANNED TILT

The following formulae and examples describe the Index-linked Mortgage and related calculations, as used in conjunction with the Federal Co-operative Housing Program.

A. EXAMPLE OF CALCULATION OF INITIAL MONTHLY PAYMENTS

Assume:	Loan amount (dollars)	=	60,000	(A)
	Stated real rate	=	4.0%	(r)
	Tilt	=	2.0%	(t)
	Repayment period (months)	=	360	(N)
	Anticipated long term inflation rate	=	5.0%	(P)

Step 1: Determine required rate (I).

$$I = r + P = 4.0 + 5.0 = 9.0$$

Step 2: Convert rate to effective monthly rate (i).

$$i = (1 + (I/2))^{1/6} - 1 = (1 + (0.09/2)^{1/6} - 1$$
$$= (1 + 0.045)^{1/6} - 1 = 1.007763123 - 1 = 0.007363123$$

Step 3: Determine effective annual rate (R).

$$R = (1 + i)^{12} - 1 = (1.007363123)^{12} - 1 = 1.092025-1$$
$$= 09.2025 \text{ i.e. } 9.2025\%$$

Step 4: Calculate within year monthly discount factor (d_m).

$$d_m = 1 / (1 + i) = 1 / 1.007363123 = 0.9926907$$

Step 5: Calculate value at start of year of $1.00 per month ($V_m$).

$$V_m = (d_m - d_m^{13})/(1 - d_m)$$

$$= \frac{0.9926907 - 0.9090369}{1 - 0.9926907} = \frac{0.0836538}{0.0073093} = 11.444844$$

Step 6: Calculate yearly discount factor (d_y).

$$d_y = (1 + P - t)/(1 + R) = (1+0.05-0.02)/(1+0.092025)$$

$$= 1.03/1.092025 = 0.9432018$$

Step 7: Calculate present value of all payments (V_y).

$$V_y = (V_m \times (1-(d_y)^{N/12}))/(1-d_y)$$

$$= (11.444844 \times (1-(0.9432018)^{30}))/(1-0.9432018)$$
$$= (11.444844 \times (1 -0.1730369))/0.0567982$$
$$= (11.444844 \times 0.8269631)/0.0567982$$
$$= 166.63317$$

Step 8: Determine ratio of initial monthly payment to loan (f).

$$f= 1/V_y = 1/166.63317 = 0.0060012$$

Step 9: Calculate initial monthly payment (PA).

$$PA= f \times A = 0.0060012 \times 60{,}000 = 360.07239, \text{ say } \$360.07$$

B. EXAMPLE OF CALCULATION OF POST-IAD INTEREST RATE

Fixed real rate = 4.0%
Variable rate (say months 25 to 36):
Suppose: CPI Month 18 = 110.250
CPI Month 6 = 105.000
Then ratio CPI Month 18/ CPI Month 6
= 110.250/105.000 = 1.0500
and full year inflation rate is 1.05 x 100 = 5.0%
Therefore, fixed plus variable rate is 4.0 + 5.0 = 9.0%

C: EXAMPLE OF ANNUAL PAYMENT ADJUSTMENT

Monthly payment, month 24 = $416.06

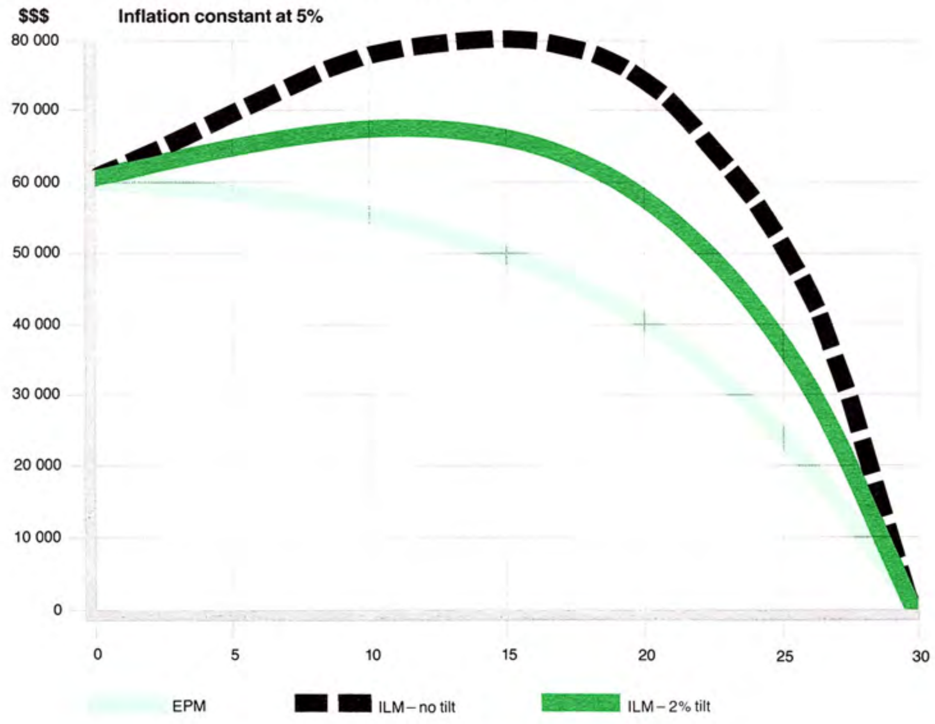
CPI Month 18 (i.e. 6 months preceding anniversary) = 110.250
CPI Month 6 (i.e. 18 months preceding anniversary) = 105.000
Ratio = 110.250/105.000 = 1.050
Less tilt factor = 0.020
Payment index factor = 1.030
Monthly payment, months 25 to 36 = $416.06 X 1.03
= $428.5418, say $428.54

APPENDIX II:
MORTGAGE BALANCES AND MONTHLY PAYMENTS UNDER 5% INFLATION: EQUAL PAYMENT MORTGAGE, FULLY INDEXED MORTGAGE AND INDEX-LINKED MORTGAGE WITH 2% TILT/

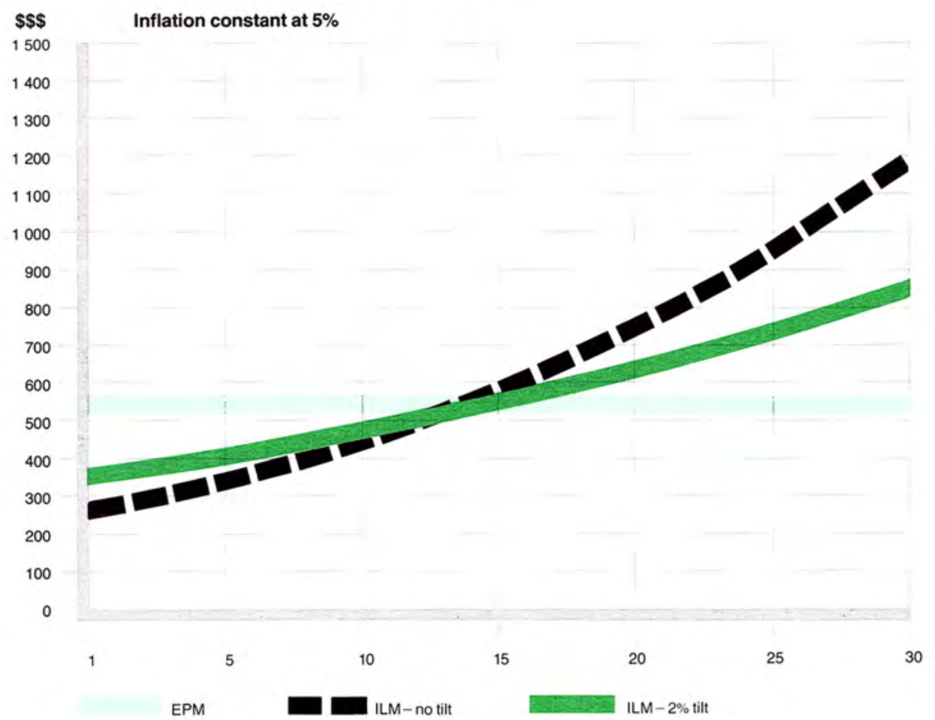
YEAR	BALANCES			PAYMENTS		
	EPM	ILM 1	ILM 2	EPM	ILM 1	ILM 2
0	60000.	60000.	60000.			
1	59685.	61866.	61013.	539.	290.	360.
2	59337.	63721.	61985.	539.	304.	371.
3	58950.	65556.	62906.	539.	319.	382.
4	58523.	67359.	63770.	539.	335.	393.
5	58049.	69118.	64566.	539.	352.	405.
6	57524.	70817.	65284.	539.	370.	417.
7	56942.	72441.	65912.	539.	388.	429.
8	56298.	73971.	66437.	539.	407.	442.
9	55584.	75387.	66846.	539.	428.	456.
10	54794.	76664.	67122.	539.	449.	469.
11	53918.	77778.	67248.	539.	472.	483.
12	52948.	78698.	67205.	539.	495.	498.
13	51874.	79394.	66973.	539.	520.	513.
14	50683.	79828.	66529.	539.	546.	528.
15	49365.	79961.	65846.	539.	573.	544.
16	47904.	79748.	64899.	539.	602.	560.
17	46286.	79139.	63656.	539.	632.	577.
18	44493.	78080.	62985.	539.	664.	595.
19	42508.	76510.	60148.	539.	697.	612.
20	40308.	74360.	57805.	539.	732.	631.
21	37871.	71557.	55014.	539.	768.	650.
22	35172.	68019.	51725.	539.	807.	669.
23	32182.	63652.	47886.	539.	847.	689.
24	28870.	58358.	43440.	539.	889.	710.
25	25201.	52024.	38322.	539.	934.	731.
26	21136.	44528.	32464.	539.	980.	753.
27	16633.	35735.	25790.	539.	1029.	776.
28	11646.	25495.	18216.	539.	1081.	799.
29	6121.	13643.	9653.	539.	1135.	823.
30	0.	0.	0.	539.	1192.	848.

Notes: Equal Payment Mortgage (EPM) based on 10.5% Rate/
Fully Indexed Mortgage (ILM 1) based on 4% rate and 5% assumed long term inflation/
Index-linked Mortgage (ILM 2) based on 4% rate and 5% assumed long term inflation, with 2% planned tilt/

Graph I: Outstanding Mortgage Balances, EPM, ILM – no tilt, ILM – 2% tilt



Graph II: Monthly Mortgage Payments, EPM, ILM – no tilt, ILM – 2% tilt



APPENDIX III:
HISTORIC RATES OF RETURN ON EQUAL PAYMENT MORTGAGES WITH 5 YEAR TERMS, 1960-1985

YEAR	5 YR. CONVENTIONAL MORTGAGE RATE	RATE OF INFLATION	5 YEAR AVERAGE INFLATION	ACTUAL REAL RETURN
1960	7.0	1.20	1.38	5.62
1961	7.0	0.90	1.64	5.36
1962	7.0	1.20	2.20	4.80
1963	7.0	1.80	2.68	4.32
1964	7.0	1.80	3.14	3.86
1965	7.0	2.50	3.68	3.32
1966	7.7	3.70	3.84	3.86
1967	8.1	3.60	3.68	4.42
1968	9.1	4.10	3.92	5.18
1969	9.8	4.50	4.60	5.20
1970	10.5	3.30	5.88	4.62
1971	9.4	2.90	7.38	2.02
1972	9.2	4.80	8.30	0.90
1973	9.6	7.50	8.94	0.66
1974	11.2	10.90	9.20	2.00
1975	11.4	10.80	8.86	2.54
1976	11.8	7.50	8.74	3.06
1977	10.4	8.00	9.74	0.66
1978	10.6	8.80	10.30	0.30
1979	12.0	9.20	9.70	2.30
1980	14.3	10.20	8.74	5.56
1981	18.2	12.50	7.50	10.70
1982	17.9	10.80	5.80*	12.10
1983	12.7	5.80	4.44*	8.26
1984	13.2	4.40	4.08*	9.12
1985	12.2	4.00	4.00*	8.20

Note: 5 year average inflation from year of commitment is subtracted from the fixed 5 year rate to obtain the actual real rate of return. For years 1982-1985, the balance of the five year spans are assumed to have a constant level of inflation at 4%.

INFORMATION

Helping to house Canadians

Federal Co-operative Housing Program

Financial support for this program is provided by the Government of Canada

PURPOSE OF THE PROGRAM

To support the production of cost-effective co-operative housing which provides security of tenure for moderate income households who cannot afford homeownership.

CO-OPERATIVE HOUSING AND HOW IT WORKS

Groups eligible for assistance under this program are continuing not-for-profit co-operatives. These are incorporated associations which exist to provide housing for their members. Such co-operatives are termed not-for-profit because members do not own their housing individually and thus do not have the opportunity to make a capital gain. A member may leave a co-operative and be replaced by a new member, but the housing is still owned by the association.

Co-operatives of this type provide their members security of tenure in two ways:

- The housing is owned and managed by the co-op. Decisions about the co-op are made democratically by the members rather than by non-residents. Members collectively establish the rules of the co-op and elect a board of directors to manage the co-op's affairs.
- By collectively managing the property, members can control the operating costs of the housing. There is no profit margin included in the monthly housing charges, which increase only with rising costs, which the members can work to control. Therefore, the members can minimize increases and maintain the housing charges at a level they can afford.

Under this program, co-operatives may build new housing, purchase and repair existing housing or convert non-residential buildings to dwellings. CMHC imposes cost limits to ensure that the housing is essentially modest in character. Housing charges paid by co-op members in the first year are comparable to rents in private rental buildings in the same area as the project.

SELECTION OF CO-OPERATIVE PROJECTS

Each year, CMHC invites potential sponsors of co-operative housing projects in communities across Canada to submit proposals to their local CMHC offices. From these submissions, CMHC selects the projects which will be developed with the funds in that year's budget. Priority is given to those proposals which best meet the goals of the program.

NHA/LNH 5901-6 09/86

STARTING A CO-OPERATIVE

Any group wishing to form a not-for-profit co-operative may apply to CMHC for Proposal Development Funding. This funding is used to meet the expenses of developing a project proposal, including incorporation costs, site option costs and the fees charged by architects and consultants.

Funding is provided through an interest-free loan repayable from the mortgage financing if the housing project proceeds.

In many communities, there are non-profit resource groups which can assist co-operatives in the various stages of developing a housing project, from the first organizing meeting to moving in.

FINANCING

Co-operatives assisted under this program may finance up to 100 per cent of project capital costs through a CMHC-insured Index-linked Mortgage from a private lender, with a planned repayment period of thirty years.

Index-linked Mortgages feature initial payments which are relatively low. They have a special provision by which payments increase each year at two percent less than inflation. Increasing the payment each year at less than inflation leaves some extra room for operating cost increases, to ensure that the co-op's housing charges do not rise faster than rents in other buildings.

Where the mortgage payments and other operating costs in the first year of operations would require monthly charges in excess of market rent levels, federal assistance is provided to reduce the break-even charges to the market rent level. This assistance is adjusted each year according to a pre-established formula.

SPECIAL NEEDS

Rent Supplement assistance, provided in most provinces by both the federal and provincial governments, is available for 30 per cent of the households in co-operatives assisted under this program. Each co-op must provide a minimum of 15 per cent of its units to households receiving this subsidy. In most provinces, half of the households receiving this rent subsidy in any co-op must come from provincial or municipal waiting lists. The rest are selected from the co-operative's own list.

To be eligible for Rent Supplement assistance, a household must be unable to obtain suitable accommodation without spending more than 30 per cent of the household income on housing. Rent Supplement assistance reduces shelter costs to as low as 25 per cent of household income.

In addition, co-ops assisted under this program must design at least 5 per cent of their units for occupancy for people with physical disabilities, unless it is not practical to do so.

MORE INFORMATION

To learn more about the Federal Co-operative Housing Program or to find out how to get in touch with existing co-operatives or resource groups, contact your local CMHC office.

CMHC
Helping to house Canadians

Canada Mortgage and Housing Corporation
Société canadienne d'hypothèques et de logement

INFORMATION

Question habitation, comptez sur nous

SCHL

Programme de logement coopératif

L'aide financière pour ce programme est fournie par le Gouvernement du Canada

BUT DU PROGRAMME

Aide financière à la réalisation de logements coopératifs, efficaces au niveau coût, afin d'accorder la stabilité d'occupation aux ménages à revenu moyen qui ne peuvent devenir propriétaires.

QU'EST-CE QUE LE PROGRAMME DE LOGEMENT COOPÉRATIF?

Les groupes admissibles à l'aide financière consentie par ce programme font partie de coopératives à possession continue sans but lucratif, constituées en association, dont l'objectif est de fournir des habitations aux membres. Elles sont "à but non lucratif" parce que les membres ne sont pas propriétaires individuels et, de sorte, ne peuvent bénéficier de gains de capital. Les membres peuvent quitter et être remplacés par de nouveaux membres. Toutefois, l'ensemble des logements appartient toujours à la coopérative.

Ce genre de coopérative assure la stabilité d'occupation aux membres de deux façons distinctes :

- Comme la coopérative est propriétaire de l'ensemble des logements et qu'elle en assure la gestion, les décisions la concernant ne sont pas prises par des non résidents mais démocratiquement, par les membres qui établissent les règlements de la coopérative et élisent un conseil d'administration pour la gérer.
- La gestion collective de la propriété par les membres leur assure le contrôle des coûts d'exploitation. Les frais mensuels d'occupation ne comportent aucune provision de marge de profit et ils ne sont majorés que s'il y a augmentation des coûts d'exploitation. Puisqu'ils assurent le contrôle de ces coûts, les membres peuvent les maintenir au minimum et s'assurer que le montant des loyers demeure à un niveau abordable.

Ce programme prévoit de l'aide à la construction de nouvelles habitations, ainsi qu'à l'achat et à la rénovation d'habitations existantes et à la transformation en unités d'habitation d'immeubles non-résidentiels. Afin d'assurer que les logements restent modestes, des coûts maxima sont fixés par la SCHL. Les frais d'occupation payés par les membres durant la première année d'exploitation sont établis au niveau des loyers comparables sur le marché privé dans le secteur en cause.

CHOIX DES PROJETS COOPÉRATIFS

Chaque année, dans toutes les régions du Canada, des groupes intéressés à des projets de logement coopératif sont invités à soumettre leurs projets au bureau de la SCHL de leur région. C'est à partir de ces soumissions que se fait le choix des projets qui recevront les fonds dont la SCHL dispose pour l'année en cours. Les projets qui cadrent le mieux avec les objectifs du programme reçoivent la priorité.

LNH/NHA 5901-6 09/86

COMMENT FORMER UNE COOPÉRATIVE D'HABITATION?

Tout groupe de personnes désirant établir une coopérative d'habitation peut adresser une demande de financement pour la préparation de projets à la SCHL. Les fonds ainsi obtenus servent à défrayer certains coûts tels l'organisation et la constitution en association, les frais occasionnés par le choix de l'emplacement ou la prise d'options et les honoraires d'architectes et de conseillers.

Le financement pour la préparation de projets est consenti par la SCHL à titre de prêt sans intérêt, remboursable à même les fonds hypothécaires accordés si le projet est exécuté.

Dans plusieurs agglomérations, il existe des groupes de personnes ressources qui conseillent les coopératives sur les différents aspects de la mise en oeuvre d'un projet d'habitation, depuis la formation de l'association à l'occupation des logements.

FINANCEMENT

Les coopératives admises à ce programme peuvent financer jusqu'à 100 pour cent des coûts d'immobilisation admissibles par l'entremise d'un prêt hypothécaire indexé assuré par la SCHL, consenti par un prêteur particulier et ayant une période prévue de remboursement de 30 ans.

Les prêts hypothécaires indexés maintiennent le versement hypothécaire initial à un niveau modique. Ils comportent une clause spéciale en vertu de laquelle les versements augmentent annuellement de deux pour cent de moins que le taux d'inflation. Cette stipulation permet aux coopératives de parer aux côuts croissants d'exploitation sans augmenter les loyers des membres à un rythme plus rapide que celui du marché privé de leur région.

Si, au cours de la première année d'exploitation, les versements hypothécaires et les coûts d'exploitation devaient commander des mensualités plus élevées que le taux des loyers dans la région en question, de l'aide fédérale est consentie pour réduire les frais au point mort du marché locatif. Une formule prédéterminée sert au redressement des montants annuels accordés.

BESOINS PARTICULIERS

En moyenne, de l'aide fédérale ou provinciale sous forme de supplément au loyer est accordée à environ 30 pour cent des ménages qui habitent les coopératives qui ont reçu de l'aide en vertu de ce programme. Chaque coopérative doit mettre 15 pour cent de ses logements à la disposition de ménages qui reçoivent le supplément. Dans la plupart des provinces, il faut choisir d'une liste d'attente municipale, la moitié des ménages qui occuperont un logement coopératif et qui recevront le supplément au loyer. Le reste provient des listes de la coopérative.

Afin d'être admissible au supplément au loyer, un ménage ne doit pas pouvoir se trouver d'habitation appropriée sans payer plus de 30 pour cent de son revenu brut. Le supplément au loyer peut réduire les frais d'occupation jusqu'à 25 pour cent du revenu brut du ménage.

À mons qu'il soit impossible de le faire, les coopératives établies en vertu de ce programme doivent réserver au moins cinq pour cent des logements à des personnes physiquement handicapées.

RENSEIGNEMENTS SUPPLÉMENTAIRES

Afin d'obtenir plus de renseignements sur le programme d'aide au logement coopératif, l'adresse de coopératives existantes ou celle de groupes ressources, veuillez communiquer avec le bureau de la SCHL de votre région.

Question habitation, comptez sur nous

SCHL

Société canadienne d'hypothèques et de logement
Canada Mortgage and Housing Corporation